



UNIVERSITI PUTRA MALAYSIA

**EXPORT TREND OF
WOODEN FURNITURE FROM MALAYSIA**

NGOOI VOON NEE

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**FACULTY OF FORESTRY
UNIVERSITY PUTRA MALAYSIA
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**EXPORT TREND OF
WOODEN FURNITURE FROM MALAYSIA**

BY

NGOOI VOON NEE

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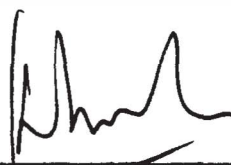
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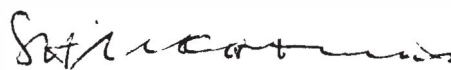
NAME OF CANDIDATE : NGOOI VOON NEE

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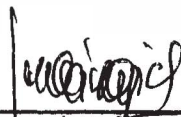
APPROVED BY :



DR. KHAMURUDIN MOHD. NOOR
(SUPERVISOR)



ASSOCIATE PROF. DR. SHUKRI MOHAMED
(EXAMINER)



PROF. DATO' DR. NIK MUHAMAD MAJID
(DEAN, FACULTY OF FORESTRY)

DATE OF EXAMINATION : MAY, 2001.

*Specially dedicated and deep appreciation to
my dearest parents ~ Ngooi See Ann & Low Ah Yee
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for their love, support and tender care during
the whole period in my study and constant prayer for success.*

Voonnee (2001)

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ABSTRACT

The furniture sector is a major industry in Malaysia in terms of value of the products made and number of people employed. It plays an important role in increasing export earnings and contributes to the development of Malaysia in economy. This study was carried out to determine the trend of wooden furniture exported from Malaysia to major world regions and countries from year 1990-1999. The trend in export was analysed using shares structure analysis on trade data of export value published by Malaysian Timber Industry Board (MTIB). Market percentages by regions and countries were calculated. Then exponential smoothing forecasting model was used to analyze the export trend of wooden furniture in year 2000. Results of the study showed that USA, Japan and Singapore were the most important trade partners with Malaysia during the period of 1990 to 1999. The world countries were classified into eight major regions according to their world geographical location. America, East Asia and ASEAN regions appeared as top three major importing regions from year 1990 to 1997. But later from year 1998 to 1999, European Union become the third important trade partners with Malaysia. The total trade value of wooden furniture is forecasted to increase by 18.37% to the export value of RM3,776.8 million in year 2000. Generally, Malaysia's export of wooden furniture to the world market had been increasing over the last 10 years. The trend analysis of export values show that West Asia has the highest increase followed by Oceania/Pacific and Africa. If analysed on individual country basis, UK is forecasted to have the highest increment followed by Netherlands, Australia and Korea. Local manufacturers should make efforts to maintain and increase export to the existing market. Besides that, they should concentrate on the regions and countries which show high increment in the forecasting export. It is suggested that the producers and relevant marketing agencies need to regular trend forecast the future export value. Further studies can be done on the internal and external factors that may affect the buying behaviour of foreign importers.

ABSTRAK

Sektor perabot di Malaysia merupakan industri utama jika dilihat dari segi jumlah nilai perabot yang dihasilkan dengan bilangan pekerja yang bekerja di sektor ini. Ia memainkan peranan yang penting untuk menambahkan jumlah pendapatan eksport dan menyumbang kepada pembangunan ekonomi Malaysia. Kajian ini dijalankan untuk menentukan tren perabot perkayuan yang dieksport dari Malaysia ke negara-negara pengimport utama di dunia dari tahun 1990-1999. Tren eksport ini dianalisis dengan menggunakan analisis struktur bahagian pada data nilai eksport yang diterbitkan oleh Malaysian Timber Industry Board (MTIB). Peratusan pemasaran mengikut region dan negara telah dikira. Model peramalan *exponential smoothing* telah digunakan untuk menganalisa tren eksport perabot perkayuan pada tahun 2000. Keputusan kajian menunjukkan bahawa USA, Jepun dan Singapura ialah rakan perniagaan yang penting dengan Malaysia semenjak tahun 1990 hingga 1999. Negera-negara seluruh dunia telah diklasifikasikan kepada lapan region utama mengikut kedudukan geografi mereka. Amerika, Asia Timur dan region ASEAN merupakan region mengimport yang utama semenjak tahun 1990 sehingga 1997. Tetapi selepas itu, dari tahun 1998 hingga 1999, Union European menjadi rakan perniagaan yang ketiga besar dengan Malaysia. Jumlah nilai perniagaan perabot perkayuan adalah diramalkan untuk bertambah sebanyak 18.37% dengan nilai sebanyak RM3,776.8 million pada tahun 2000. Secara umumnya, eksport perabot perkayuan Malaysia ke seluruh dunia telah bertambah sejak sepuluh tahun kebelakangan ini. Tren analisis menunjukkan nilai eksport Asia Barat akan bertambah paling banyak diikuti oleh Oceania/Pasifik dan Afrika. UK diramalkan akan mempunyai penambahan yang tertinggi diikuti oleh Netherlands, Australia dan Korea. Penghasil perabot tempatan harus berikhtiar untuk menjaga dan menambahkan nilai eksport kepada negara pengimport yang sedia ada sekarang. Selain daripada itu, mereka juga harus menumpukan perhatian ke atas negara-negara yang menunjukkan penambahan yang tinggi dalam nilai eksport ramalan. Kajian ini mencadangkan bahawa penghasil tempatan dan agensi pemasaran yang berkaitan patut selalu meramalkan tren dan nilai eksport perabot perkayuan. Kajian lanjutan mengenai faktor-faktor dalaman dan luaran yang boleh mempengaruhi perangai membeli negara-negara pengimport juga boleh dijalankan.

CHAPTER ONE

INTRODUCTION

1.1 General

The Malaysian furniture industry is one of the region's largest export earners and crucial to the nation's growth. It has grown spectacularly from a small industry to a major foreign exchange earner, exporting over almost US\$1.4 billion worth of all types of furniture to over 144 countries around the world.

The Malaysian furniture industry has evolved from a simple manufacturing base making products for the global market. These largely generic products have been replaced with brand names and quality standards that are recognized worldwide.

Close attention has been focused on finishing, design and production of high quality products. The latest styles, materials and trends have been incorporated to keep products at pace with global trends. Manufacturers have invested in technology, the latest automated processes and many now boasts an array of quality and charter marks and ISO certifications.

The South East Asian region has taken a keen interest in the growth of the furniture sector, according high priority and major guidelines to sustain raw material supply, intensify modernization and increase research and development. Furniture manufacturers and exporters are united under their trade association such as the Malaysian Furniture Industry Council (MFIC) which focuses on helping its members to sustain their competitive edge and strength in the world market.

The major market for Malaysian furniture are United States, Japan and Singapore with the United Kingdom, Australia and Taiwan gaining confidence prominently for the past few years. Efforts are being taken to further diversify markets around the world, particularly, in Europe, Asia Pacific Region, Middle East and other new emerging countries (Anon, 1998).

This study attempts to find out the trend and pattern of wooden furniture export from Malaysia to world countries. The market shares of important countries which import wooden furniture from Malaysia were identified and trend of the export share was forecasted for year 2000. The relevant discussions made will provide essential information for future development of the Malaysian wooden furniture industry for export market.

1.2 Problem Statement

The availability of raw material supply at competitive price, relatively low labour cost and favorable internal prices created positive conditions for the growth of furniture industry in Malaysia. However, the rapid growth of furniture industry has brought new challenges relating to the industry's future competitiveness and sustainability in global market.

Even though Malaysian furniture industry is continuing its accelerated growth, there are several weakness or problems exist in the industry. These problems include low quality products and inefficiency of production, and also high production costs. The overall effect is that the industry finds it increasingly difficult to stay in the highly competitive local and export market.

The apparent problems for small and medium local manufacturers to involve in export market are lack of information and knowledge of foreign market. The documentation of the data analysis is insufficient. If this problem persists and still lack of research and development is done, the development of the furniture industry would be uncertain.

Due to the scarcity of the available information, this study discussed the trend and pattern of wooden furniture exported to foreign countries and provide more information about the world market.

The information gathered would be useful to local manufactures of wooden furniture and provides guideline about the future trend of export market. Understand the existing trend and predicting the future market trend is important in order to minimize losses and can assist in long term planning of production and marketing strategies for the furniture producers.

1.3 Objectives

The general objective of this paper was to determine the trend and pattern of wooden furniture exported from Malaysia to world countries and trend of export for year 2000 been forecasted. The more specific objectives of this paper were:

- 1) To examine the trend of wooden furniture exported from Malaysia to world countries in the past ten years.
- 2) To determine the trend of global trade for wooden furniture in Malaysia by analyzing the export values of wooden furniture to world countries.
- 3) To forecast the trend of wooden furniture exported from Malaysia to the world countries for year 2000.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter consists of literature review regard to the wooden furniture export from Malaysia to existing world market. It covers the various aspects of the wood based industry in Malaysia and export of wood based products including wooden furniture to the world countries. The method used in this study to analyze the data were also included to provide a better understanding about the process of analyzing data.

Malaysia is one of the leading exporters of tropical hardwoods in the world and also world's leading exporter of tropical sawn timber, plywood and hardwood moulding (MTIB, 1994). Large amount of log supply coming from forestlands used to support the rapid development and establishment of other primary wood processing industries. Once in a while, the wood based sector is dominated by primary processing activities such as sawmilling, veneer and plywood production. However, in recent years, downstream processing activities such as the manufacture of mouldings, furniture and joinery have increased significantly (Anon, 1996).

The timber industry in Malaysia is an export oriented industry (Lew, 1977). Malaysia's export of major wood based products has increased steadily over the last decade. Even though there is a significant increase in wood based export, Malaysia is still a small producer in the global market for wood based downstream products. This means that there is a considerable room for expansion in the value added products category.

To ensure the continued development of the industry in future, Malaysia is actively pursuing a program of promoting the wood based downstream industry. Many plans and activities have been organized to help the industries in all kind of sectors. These activities including globalization strategy, the knowledge-driven strategy, strengthen cluster development and others.

2.2 Wood Based Industry In Malaysia

The development of wood-based industries in Malaysia begins with the establishment of 8 sawmills in the year 1920. In 1931, there were 12 sawmills and the number expanded to 65 sawmills in 1940. During the years spanning World War II, many of these mills were either destroyed or dismantled. All forest-based activities then were severely restricted (Lew, 1977). But after that period right up to independence in 1957, the forestry sector became an important sector for the Malaysia's economy development.

The application of more advanced techniques to manufacture a greater range of higher value products from lower quality logs is speculated as the next phase of wood-based industrial development (Anon., 1972).

As timber industry in Malaysia traditionally is an export oriented industry, the export market is important to enabling the timber industry in Malaysia to reach its present height of development, notwithstanding the contribution from domestic market. During the 70's, major output of the industry which were logs, sawn timber and plywood were largely exported. The export of processed products such as moulding surged in the 80's due to increasing demand from overseas market and also government's drive for export which charted out in the Industrial Master Plans (IMP), 1986-1995. The export of moulding, furniture and joinery there on continued to increase.

Presently, besides the primary timber industry, downstream processing activities also have increased significantly. Exports of logs in Malaysia declined from 65.0 per cent in 1985 to 45.0 percent in 1990 and declined to 18.0 per cent in 1995 following the ban on round log exports from Peninsular Malaysia since 1972 and conservatively Sabah. Exports of sawn timber also declined as sawmillers timber exports registered a decline of nine per cent in volume and 12.0 per cent in value over the year 1995 (Anon, 1996).

In contrast to logs and sawn timber, exports of downstream products like plywood, veneer, mouldings and furniture have been increasing rapidly as the wood-based sector moves into higher value-added activities. The furniture sub-sector in particular, made an impressive impact with export share shows an increases to 48.5 per cent in 1997 which was 0.90 per cent change compare to 1990. Similarly, the export share of plywood increased from 4.5 per cent in 1985 to 28.6 percent in 1995 (Anon, 1996). Meanwhile, the value of mouldings grew almost threefold during the 1985-1995 period although its share has remained constant at five per cent.

The wood based industry contributes significantly to sosio-economic development of country in terms of foreign exchange earnings. This is best reflected when wood manufacturers ranked fourth in 1994 behind electrical products, machinery and transport equipment and also palm oil and related products in Malaysia's Generalized System of Preferences (GSP) exports (MATRADE, 1995). Apart from foreign exchange earnings, the timber industry also contributes approximately 4.6 percent to the Gross Domestic Product (GDP) and employment to about 200,000 people which is about 2.7 percent of the nation's total workforce (Anon, 1994).

2.3 Furniture Industry In Malaysia

Furniture sector is a major industry in Malaysia in terms of the value of the products made and the number of people employed. It plays an important role in increasing export earnings and contributes to the development of the economics in Malaysia. The prospects for further expansion of the furniture industry are great due to the availability of resources and manufacturing technologies.

Furniture manufacturing in Malaysia started off with an advantage of abundant forest resources and availability of skilled labour. The industry starting as a cottage industry in early 1970's, then develop to larger automated plants equipped with sophisticated machinery and higher technologies which is capable to produce mass volume furniture for export (Anon, 1995).

The fast-maturing Malaysian furniture industry expands vigorously every year. The government is convinced that vast potential exists for furniture in the export market and is keen to stimulate development in this direction. The government encourages the establishment of projects to manufacture furniture for the export market and also induce existing manufacturers to look beyond Malaysia for overseas markets.

The furniture sector is the fastest growing sector over the last 5 years with exports increasing by 457.60 percent from RM269.5 million in 1990 jumped to RM2.43 billion in 1996 (Anon, 1997). The major markets were USA, Japan, Singapore and United Kingdom. Bigger export volumes are expected over the next 5 to 10 years in view of the substantial investments that have already been made in the sector.

Presently, there are about 2,965 furniture and woodworking mills scattered throughout the country. There are about 2,630 mills in Peninsular Malaysia, and generally the mills are more developed compared to Sabah and Sarawak which has about 120 and 215 mills respectively (Anon, 1994). Mills sizes range from small cottage operations producing for the domestic market right up to the larger automated plants. Most of the establishments of the factories are concentrated on the West Coast of Peninsular Malaysia, especially in the State of Selangor and Johor (MATRADE, 1996).

2.3.1 Classification Of Wooden Furniture In Malaysia

Furniture industry in Malaysia produce a wide range of products including from traditional to contemporary designs and also furniture designed by the overseas buyers under international brand names. Types of products produced include bedroom furniture, dining sets, lounge sets, office furniture, antiques furniture and a variety of occasional furniture. Office and commercial furniture

and fixtures of wood constitute the largest share of total furniture produced, followed by household furniture and fixtures.

The furniture manufactured in Malaysia can be classified into many groups depending on their usage, the material used in that furniture production and other specialty of the furniture. According to the Malaysian Trade Classification and Customs Duties Order 1998 (Practical Guide to Customs Duties Order), wooden furniture can be classified into few groups under Standard International Trade Classification (S.I.T.C.). The classification is shown as below:

- a. Wooden furniture of a kind used in offices (821-510-000)
- b. Wooden furniture of a kind used in the kitchen (821-530-000)
- c. Wooden furniture of a kind in used in the bedroom (821-550-000)
- d. Baby walker of wood (821-590-100)
- e. Fume cupboard for use in medical laboratory of wood (821-590-200)
- f. Other wooden furniture (821-590-900)
- g. Furniture, not elsewhere specifies, of wood (821-5)